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E.O. 12958, Sec. 3.4

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NND 969024
By ST/VSW Date 3/4/78

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DEF 12-5 PAK
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Department of State
TELEGRAM

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ACTION: Amembassy ISLAMABAD

STATE _____

EXDIS

SUBJ: Arms for Pakistan - Financial Aspects

REFS: (A) Islamabad 1291, (B) State 20428

FOR AMBASSADOR

Def 12-5 Pak

1. Appreciate your frank reiteration of views (reftel A) regarding our position in response to Pakistani requests for credit or other financial easement in purchasing items under arms package. Wish to assure you again that subject has been most carefully considered from all conceivable angles, resulting in decision conveyed reftel (B).
2. We have also considered your assessment and new points raised in reftel. Like you, we would be disappointed if our effort to do something for Pakistan in military supply field, for political reasons determined last June, were to founder over questions of financing. But in terms of our overall policy toward Subcontinent we see no reasonable or viable alternative to taking such risk now, especially in view seriously strained current state of Indo-Pakistan relations.]

DRAFTED BY:

NEA/PAF:WFSpengler/bk

DRAFTING DATE

2-19-71

TEL. EXT.

20353

APPROVED BY:

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CLEARANCES:

NEA - Mr. Van Hollen
NEA/INC - Mr. Schneider
NEA/RA - Mr. Boughton

PM/MAS - Mr. Chapman
DOD/ISA - Col. Gross
S/S - Mr. Curran

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PA/HO, Department of State
E.O. 12958, as amended
June 9, 2005

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Any loosening of terms or conditions of one-time exception arms offer -- for example under guise of ex post facto finding APC's to be non-lethal and thus eligible for FMS credit -- would surely generate strongly adverse reaction and misunderstanding in India as well as U.S. Congress.

3. In reviewing overall problem of credit and financing we determined that increased ^{FMS}/~~RM~~ credit for non-lethal purchases offered most practical means of extending GOP some financial relief. This judgment was based on (1) fact that Pakistan's military materiel purchases in recent years have always considerably exceeded amount of FMS credit allowed (average of about \$20 million purchases annually last four years against maximum of \$5 million credit); (2) no FMS credit extended in FY 70 and level of purchases relatively low; and (3) ~~known~~ knowledge of substantial level of orders already placed or serious interest expressed by GOP in defense purchases for FY 71, including one and possibly two C-130 aircraft, T-37 aircraft, helicopters, jeeps and trucks. GOP orders for or interest in most

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of latter items now confirmed by DRP-104 Feb 71, with estimated total \$12 million for items already eligible for FY 71 FMS credit.

4. While we would not wish encourage Pakistanis through credit offer to purchase military supplies they had not intended order this FY, we see basis for believing they can use as much as \$13 million credit in normal course this year. Important, however, inform GOP of this FMS credit level soonest per reftel (B) not only to permit early planning for utilization by GOP but also as an earnest of our endeavor be as helpful as possible in this way.

5. Regarding lethality of APC's, as armored combat assault vehicle this item is considered in lethal category by both State and Defense. In any event, we could not agree for political reasons (para 2 above) to remove item from lethal category in order qualify it for FMS credit for Pakistan; to do so at this stage could seriously damage our credibility with both Congress and Indians.

6. While recognizing current delicate political situation in

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Pakistan, suggest you seek opportunity soonest to convey to Yahya position contained State 20428. Your conversation with him should help clarify protracted misunderstanding over financing of arms package and permit resumption of normal discussions with GOP regarding procurement of items under alternatives offered.

END

ROGERS

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